Significant growth in 2015 First Half Revenue and EBITDA

€160 million capital raise to target further acquisition opportunities

ESM: DHG AIM: DAL

RNS Number: 4705Y

Dublin & London | 9 September, 2015: Dalata Hotel Group plc ("Dalata" or the "Group"), the largest hotel operator in Ireland today announces results for the six months ended 30 June 2015 ("H1 2015").

Key Figures	**Six months to 30 June 2015**	**Six months to 30 June 2014**	**Change**
Revenue	€97.7m	€34.9m	2.8x
EBITDA (before one-off items)	€23.6m	€2.4m	9.8x
Profit before tax	€2.7m	€0.9m	3.0x

Financial Highlights

- Group revenue increased 180% to €97.7 million delivering EBITDA (before one-off items) of €23.6 million; a Group EBITDA margin of 24.2%
- Group profit before tax at €2.7 million, after incurring once-off costs relating to acquisitions of €13.5 million
- Group EBITDAR margin increased from 34.4% to 36.8%
- Acquired hotels contributed €19.3 million EBITDA (before one-off items) during the period
- Strong performance from original leased hotel portfolio (excludes acquisitions and managed hotels) with 25% revenue growth and EBITDAR margin up from 28.4% to 35.8%
- €48.6 million equity raised and €282 million of new debt facilities to part fund the Moran Bewleys Hotel Group acquisition
- Net upward revaluation of €22.9 million in the value of properties acquired

Strategic & Operating Highlights

- €523.7 million of hotel acquisitions in H1 2015
  - €452.3 million on nine Moran Bewleys hotels in February 2015
  - €71.4 million on five further hotels in Ireland and Northern Ireland
- Increase in total rooms, at owned and leased hotels, to 5,573 at the end of June 2015
- Integration of 14 acquired hotels completed during first half and launch of Clayton Hotel brand with successful roll out across ten properties in UK and Ireland
- Continued investment in hotel development and refurbishment: €9.1 million invested in H1 2015

Capital Raising

- Intention to raise a further € 160 million additional equity to fund further acquisition growth

Dalata will host a conference call, for institutional and analysts, today at 08.30 BST (04.30 EDT) to discuss 2015 first half performance. To access the call, please dial:

Dial in:	Ireland	01 696 8154	Pin code: 42426784#
	Europe	+44 203 139 4830	
	USA	+1 718 873 9077	

Pat McCann, Dalata Group CEO, said:

"*Results for the first half of the year reflect a business that has been transformed by the acquisition of nine Moran Bewley hotels in February 2015 and five additional hotels in the period, in addition to three hotels purchased in the second half of 2014.*

The integration of the acquired hotels is now complete and the Clayton Hotel brand has been successfully launched at ten properties across Ireland and the UK.

Our results also reflect favourable market conditions with very strong growth in visitor arrivals in Ireland and a recovering domestic economy. We expect the momentum of the first half to continue and positively influence performance in the second half supported by favourable exchange rates and improving domestic consumer confidence. Continued support of the Irish Tourism Industry from Government has helped lay the foundation for recovery in the Irish hotel sector and confidence has improved across all regions.

In addition to a strong set of results, we also announce our intention to raise €160 million in additional equity to fund further acquisitions. This underlines our belief that there will continue to be opportunities to acquire well located assets at attractive valuations together with attractive investment opportunities to expand facilities at the hotels that we have already acquired. We also see an opportunity to develop new hotels in Dublin where there has been very limited supply of new hotels in the last 8 years.

It has been a very exciting and rewarding last 18 months for Dalata. We are now focused on exploiting the very strong operating platform that we have created by acquiring further properties and maximising the returns from the hotels that we have acquired over the last 12 months."

About Dalata Hotel Group plc

Dalata Hotel Group plc is the largest hotel operator in Ireland, currently operating 41 hotels with over 7,000 rooms. 17 of the hotels are owned by Dalata, 11 hotels are operated under lease agreements and 13 are operated under management agreements. Dalata successfully operates the Maldron and Clayton Hotel brands throughout Ireland & the UK, as well as managing a portfolio of Partner Hotels.

Dalata is listed on the Irish Stock Exchange (ESM: DHG) and London Stock Exchange (AIM: DAL). For further information visit: www.dalatahotelgroup.com

H1 2015 Performance Overview

6 Months ended 30 June 2015

€million	Owned and leased hotels				Managed Hotels	Central Office	Total
	Original Portfolio	Moran Bewley	Other Acquis’n	Subtotal			
Revenue	40.0	42.6	13.2	95.8	2.0	-	97.7
EBITDAR	14.3	16.9	2.8	34.0	2.0	-	36.0
Rent	(9.0)	(0.4)	-	(9.4)	-	-	(9.4)
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EBITDA contribution	5.3	16.5	2.8	24.6	2.0	-	26.6
Central Overhead	-	-	-	-	-	(3.1)	(3.1)
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EBITDA (pre-Acquisition and Integration Costs and Fx Gain)	**5.3**	**16.5**	**2.8**	**24.6**	**2.0**	**(3.1)**	**23.5**
Foreign exchange gain	-	-	-	-	-	0.1	0.1
Acquisition & Integration Costs	-	-	-	-	-	(13.5)	(13.5)
	----------	----------	----------	----------	----------	----------	----------
EBITDA	5.3	16.5	2.8	24.6	2.0	(16.5)	10.0
	=======	=======	=======	=======	=======	=======	=======

6 Months ended 30 June 2014

€million	Owned and leased hotels				Managed Hotels	Central Office	Total
	Original Portfolio	Moran Bewley	Other Acquis’n	Subtotal			
Revenue	32.0	-	-	32.0	2.9	-	34.9
EBITDAR	9.1	-	-	9.1	2.9	-	12.0
Rent	(8.0)	-	-	(8.0)	-	-	(8.0)
	----------	----------	----------	----------	----------	----------	----------
EBITDA contribution	1.1			1.1	2.9	-	4.0
Central Overhead	-	-	-	-	-	(1.6)	(1.6)
	----------	----------	----------	----------	----------	----------	----------
EBITDA (pre-Acquisition and Integration Costs and Fx Gain)	**1.1**	**-**	**-**	**1.1**	**2.9**	**(1.6)**	**2.4**
Foreign exchange gain	-	-	-	-	-	-	-
Acquisition & Integration Costs	-	-	-	-	-	-	-
	----------	----------	----------	----------	----------	----------	----------
EBITDA	1.1			1.1	2.9	(1.6)	2.4
	=======	=======	=======	=======	=======	=======	=======

The transformation of Dalata’s business is reflected in the growth in EBITDA (before one-off acquisition and integration costs and foreign exchange gains) from €2.4 million to €23.5 million. Newly acquired hotels accounted for €19.3 million of the increase and there was a very strong performance in the original leased hotels business where EBITDA grew from €1.1 million to €5.3 million. These gains were offset by a decline in earnings attributable to managed hotels (a number of hotels managed by the Group for receivers were sold) and an increase in central overheads.

Acquisition and integration costs include (i) stamp duty arising on the purchase transactions (ii) professional fees and (iii) re-organisation and severance costs at the nine former Moran Bewley hotels.

Segmental Review

EBITDAR for the leased and owned hotels was €34 million in H1 2015, representing an EBITDAR margin of 35.5% (excluding central office costs). The leased and owned business is best understood by dividing it into three parts:

1. Original leased hotels portfolio,
2. Hotels included in the Moran Bewley acquisition; and,
3. Other Acquisitions.

A number of market dynamics had a positive impact on performance generally:

- Economic recovery in Ireland with projections for real GDP growth of 3.7% in 2015
- An increase of 11.7% in the number of trips to Ireland from overseas in the six months to June 2015
- Strong Average Daily Rate (ADR) growth in the Dublin market owing to a combination of high occupancy levels and a limited supply of new rooms
- An improvement in consumer confidence in Ireland which has lifted revenue in the regional hotels
- In the UK, market performance in London was subdued but there was strong growth in each of the regional markets where Dalata operates

1. Original Leased Hotel Portfolio

Earnings Summary			Performance Statistics		
€million	June 2015	June 2014		1 Jan 15 to 30 Jun 15	1 Jan 14 to 30 Jun 14
			Ireland		
Revenue	40.0	32.0	Occupancy	76.6%	69.7%
			ADR	€86.41	€72.35
EBITDAR	14.3	9.1	RevPAR	€66.23	€50.42
Rent	(9.0)	(8.0)			
	----------	----------	UK		
EBITDA contribution	5.3	1.1	Occupancy	76.0%	73.8%
	=======	=======	ADR	£59.77	£56.58
EBITDAR margin	35.8%	28.4%	RevPAR	£45.42	£41.76

The original leased hotel portfolio includes five Maldron Hotels in Dublin, five Maldron Hotels in Regional Ireland, the Ballsbridge and Clyde Court Hotels and Maldron Hotel Cardiff, Wales.

Revenues increased 25% year on year with RevPAR up 31% in Ireland. RevPAR increases in the Group were ahead of the market for Dublin and each of the three regional cities in which the Group operates.

Performance in Dublin was helped by favourable comparable figures for 2014 in the Ballsbridge and Clyde Court Hotels. Both of these properties experienced significant disruption to business in H1 2014 when fire safety remedial works were carried out. The increase in occupancy was driven by the Ballsbridge and Clyde hotels as well as the regional properties where the recovery is being reflected in an increase in demand. Occupancy in the Maldron Dublin properties exceeded 80% thus growth in these hotels was driven by an increase in room rates.

The EBITDAR margin in the Original Leased Hotel portfolio increased from 28.4% to 35.8% reflecting a very strong rate of conversion on incremental income. Rents increased by €1.0m where the benefit of the purchase of Maldron Hotel Parnell Square and Maldron Hotel Wexford (and consequent elimination of the rent payable) was offset by higher provisions for turnover rent at the Ballsbridge, Clyde Court and Maldron Dublin Airport hotels.

Maldron Hotel Cardiff continues to progress and enjoyed strong growth in a favourable market. RevPAR grew by 8.8% in the hotel in H1 compared to 9.1% for the city as per STR Global reports.

2. Moran Bewley Acquisition

Earnings Summary €million	June 2015	June 2014
Revenue	42.6	-
EBITDAR	16.9	-
Rent	(0.4)	-
	----------	----------
EBITDA contribution	16.5	-
	=======	=======
EBITDAR margin	39.7%	

Performance Statistics	1 Jan 15 to 30 Jun 15	1 Jan 14 to 30 Jun 14
Ireland		
Occupancy	78.8%	74.2%
ADR	€75.39	€66.04
RevPAR	€59.39	€49.00
UK		
Occupancy	80.4%	80.8%
ADR	£71.65	£70.03
RevPAR	£57.59	£56.60

The nine former Moran Bewley hotels, eight of which have been rebranded as Clayton Hotels and one as a Maldron Hotel (Newlands Cross), have now been fully integrated into the Dalata operating platform.

The performance statistics which compare H1 2015 and H1 2014 on a like-for-like basis give an indication of the underlying performance of the hotels. The hotels have performed well since their acquisition on 3rd February 2015; RevPAR growth in the Irish properties (full six months) was 21% reflecting the predominance of Dublin hotels amongst them. RevPAR increased by 2% in the UK hotels where the Leeds and Manchester hotels performed very strongly but performance in London was impacted negatively by ongoing works taking place on an extension at the Clayton Hotel Chiswick which is scheduled to open in early Q4 2015.

According to STR Global, RevPAR grew by 8.2% in Manchester and 9.0% in Leeds while it declined by 0.3% in London.

The EBITDAR margin at 39.7% is stronger than the original leased hotel portfolio hotels and reflects the economies of scale at these properties which are comparatively larger than other hotels in the group.

These hotels would have generated €17.4 million EBITDA if they had been owned for the full six months.

3. Other Acquisitions

Earnings Summary €million	June 2015	June 2014
Revenue	13.2	-

Performance Statistics	1 Jan 15 to 30 Jun 15	1 Jan 14 to 30 Jun 14
Ireland		
Occupancy	68.1%	65.4%
ADR	€78.44	€69.71

EBITDAR	2.8	-		RevPAR	€53.46	€45.59
Rent	-	-				
	----------	----------	UK			
EBITDA contribution	2.8	-		Occupancy	77.0%	74.5%
	=======	=======		ADR	£67.57	£62.29
EBITDAR margin	21.2%			RevPAR	£52.00	£46.40

The Other Acquisitions include, in the Republic of Ireland, Maldron Hotel Pearse Street, Dublin, Clayton Hotel Galway, Whites Hotel Wexford and Pillo Hotel Galway, and in Northern Ireland, Maldron Hotel Derry and Clayton Hotel Belfast (formerly Holiday Inn). These hotels were acquired between Q3 2014 and Q1 2015. For those hotels bought in 2015, results are reported from the date of acquisition.

Similar to how the Moran Bewley acquisition figures have been presented, the performance statistics which compare H1 2015 and H1 2014 on a like-for-like basis give an indication of the underlying performance of the hotels. The Republic of Ireland hotels, three of which are located in regional towns show a RevPAR increase of 17.3%. This gives an indication of the spread of the recovery beyond Dublin where, according to Trending.ie, RevPAR grew by 5.5% in Cork, 12.1% in Galway and 20.8% in Limerick.

The 21.2% EBITDAR margin is lower than the original leased portfolio and the Moran Bewley properties due to the fact that, apart from Maldron Pearse Street, the hotels are located in regional cities where average room rates are lower and the business mix has a higher proportion of food and beverage business which attracts higher input and labour costs and thus lower margin percentages.

These hotels would have generated €3.0 million EBITDA if they had been owned for the full six months.

Financial Review

Central Office

Earnings Summary		
€million	June 2015	June 2014
Central Overhead	(3.1)	(1.6)
Foreign Exchange Gain	0.1	-
Acquisition & Integration Costs	(13.5)	-
	----------	----------
EBITDA	(16.5)	(1.6)
	=======	=======

Central overheads increased as the group invested in additional resources in accounting and finance, internal audit, marketing, business development and operations. The central function has been strengthened to support the enlarged business, manage the governance and financial management obligations of operating as a listed company, develop the Clayton brand and increase the Group's capacity to evaluate and develop further business growth opportunities.

€13.5 million was spent on acquisition related costs in the first six months of 2015. €11.1 million of this was stamp duty (€9.3 million relating to the Moran Bewley acquisition and €1.8 million on four infill acquisitions). €1.6 million was spent on professional fees (€1.4 million related to the Moran Bewley acquisition and €0.3 million on the infill acquisitions) and the remaining €0.8 million related to restructuring costs to date on integrating the Moran Bewley properties into the Group.

Depreciation, Impairment in Asset Values and Goodwill and Fair value Gain on Investment Property

€million	June 2015	June 2014
Depreciation	(4.0)	(0.3)
Amortisation of intangible assets	-	(0.1)
Impairment of Goodwill	(0.2)	-
Impairment of property, plant and equipment	(1.2)	-
Fair value gain on investment property	0.5	-
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	(4.9)	(0.4)
	=======	=======

<u>Depreciation</u>

The Group's depreciation charge increased from €0.3 million for the 6 months ended 30 June 2014 to €4 million in the 6 months ended 30 June 2015. The increase of €3.7 million is due to the following:

- Depreciation of €2.5 million on buildings following the acquisition of €523.7 million of building assets over the past six months.
- An increase of €1.2 million in depreciation on fixtures, fittings and equipment from additional capital investment in the hotels of €4.4 million, and the acquisition of fixtures, fittings and equipment of €7.1 million through the Moran Bewley and other infill acquisitions during the past six months.

<u>Amortisation</u>

Impairment of goodwill

During the 6 months ended 30 June 2015, the Group impaired €0.2 million in respect of goodwill purchased as part of the acquisition of the Maldron Hotel Derry (formerly Tower Hotel) in October 2014.

Impairment of land and buildings

The Group reports land and buildings at fair value on each reporting date. This has resulted in an impairment in the value of its investment in the Maldron Hotel, Derry of €1 million and €0.2 million in Clayton Silver Springs Cork.

Fair value gain on investment property

The fair value review of investment property has resulted in a gain of €0.5 million on the investment property held at Maldron Hotel, Pearse Street, Dublin.

Finance Costs

€million	June 2015	June 2014
Finance income	1.9	0.1
Finance costs	(4.3)	(1.2)
	----------	----------
	(2.4)	(1.1)
	=======	=======

Finance costs increased substantially in the period following the drawdown of €282m of senior debt facilities in February 2015.

Revaluation of Acquired Properties

In accordance with the Group's accounting policies, land and buildings are stated at fair value, thus their value is considered at each reporting date. Impairments (where there was previously no revaluation reserve for the asset) are accounted for in the profit for the period, whereas upward revaluations are accounted for in the revaluation reserve.

At 30 June 2015, the Group revalued its properties upwards by a net amount of €22.9 million (€24.1 million of upward revaluations recognised in other comprehensive income and €1.2 million recognised as impairment of property plant and equipment).

Balance Sheet

Financial Structure

Upon completion of the Moran Bewley acquisition in February 2015, the company issued 18,300,000 shares at a price of €2.75. 6,100,000 shares were issued in a cash placing and 12,200,000 shares in vendor placing as part of the consideration for the Moran Bewley acquisition. Net equity raised after costs was €48.6m.

At the same time, the company drew down €282 million in senior debt facilities with a maturity date of 3 February 2020. On 30 June 2015, the Group had cash and cash equivalent balances of €20.3 million. The Group also has a committed undrawn revolving credit facility of €20 million. The Group had net bank debt of €259.6 million at 30 June 2015.

Movement in Equity

Total equity increased by €72.1 million during the period. In addition to €48.6 million of equity capital raised, the value of acquired properties was revised upwards on revaluation by €20.7 million (net of a provision for deferred tax). Retained earnings increased by €0.6 million and all other reserves increased by €2.2 million.

Acquisitions

During H1 2015 the Group spent a total of €523.7 million on hotel acquisitions, €452.3 million on nine Moran properties in February 2015 and €71.4 million on the following hotels five hotels: Clayton Hotel Galway, Pillo Hotel Galway, Whites Hotel Wexford, Holiday Inn Belfast and Maldron Hotel Wexford (where it previously leased the hotel).

Capital Expenditure

The group invested a total of €9.1 million in capital works during the period. €4.7 million was spent on the extension currently being constructed at the Clayton Hotel, Chiswick, London; this project is scheduled for completion in Q4 2015. A further €4.4 million was invested in other development and refurbishment works notably at Maldron Pearse Street, which has undergone a full refurbishment since acquisition, Maldron Smithfield and Maldron Cork.

Outlook

We see the strong underlying market trends of the first half continuing in the second half of the year. The integration of our acquired hotels is ahead of schedule and we also look forward to the completion of the Clayton Hotel Chiswick, London extension in the fourth quarter. The performance of our UK hotels will also benefit from the Rugby World Cup in the Autumn. The development of the Clayton Brand will also continue with the rebranding of Maldron Hotel Cardiff Lane Dublin, Maldron Hotel Cardiff Wales and Whites Hotel in Wexford.

Results for the second half of the year will benefit from the contribution of the acquired hotels for the full six months of the period and from the underlying seasonal variation in earnings which favours the second half.

On the downside, several hotels managed on behalf of receivers are expected to be sold in the second half and, therefore, earnings from that segment will continue to diminish. However, the disposal of these assets has been anticipated for some time and is part of the ongoing restructuring of the Irish hotel sector which continues to be a source of acquisition opportunities for the group.

Today's announcement that we intend to raise € 160 million in additional equity reflects our belief that there remain a number of attractive acquisition targets in the Irish market. We will retain our disciplined approach to the further evaluation of acquisition opportunities, continuing to focus on well-located assets with untapped earnings potential, that offer opportunities for performance improvement and which will complement the existing portfolio. We are also actively looking for opportunities to develop new hotels in Dublin.

We are excited about the prospects for our business in all of our markets. We have a strong, proven team to drive the performance of the business in the second half and beyond.

ENDS

Cautionary statement
This announcement contains forward-looking statements. These statements have been made by the Directors in good faith based on the information available to them up to the time of their approval of this report. Due to the inherent uncertainties, including both economic and business risk factors underlying such forward looking information, actual results may differ materially from those expressed or implied by these forward-looking statements. The Directors undertake no obligation to update any forward-looking statements contained in this announcement, whether as a result of new information, future events, or otherwise.

Contacts

Dalata Hotel Group plc **Tel + 353 1 206 9400**
Pat McCann, CEO
Dermot Crowley, Deputy CEO, Business Development and Finance
Seán McKeon, CFO

Davy Corporate Finance (NOMAD and ESM Adviser) **Tel + 353 1 679 6363**
Ronan Godfrey
Brian Ross
Anthony Farrell

FTI Consulting (IR and PR Advisor)
Melanie Farrell **Tel +** 353 1 663 3683
Jonathan Neilan dalata@fticonsulting.com
Mark Kenny

Dalata Hotel Group plc

Unaudited condensed consolidated statement of comprehensive income

for the six months ended 30 June 2015

	Note	**6 months ended 30 June 2015 €'000**	6 months ended 30 June 2014 €'000
Continuing operations			
Revenue	*4*	**97,711**	34,950
Cost of sales		**(38,794)**	(13,591)
Gross profit		**58,917**	21,359
Administration expenses, including acquisition costs of €13.5 million (2014: €Nil)	*5*	**(54,236)**	(19,310)
Other income	*13*	**452**	-
Operating profit		**5,133**	2,049
Finance income	*6*	**1,857**	85
Finance costs	*7*	**(4,338)**	(1,191)
Profit before tax		**2,652**	943
Tax charge	*9*	**(2,063)**	(239)
Profit for the period attributable to owners of the company		**589**	704
Other comprehensive income			
Items that will never be classified to profit or loss			
Revaluation of property		**24,079**	-
Related deferred tax		**(3,382)**	-
		20,697	-
Items that are or may be reclassified subsequently to profit or loss			
Exchange difference on translating foreign operations		**1,873**	57
Fair value movement on cashflow hedges	*14*	**129**	-
Deferred tax on cashflow hedges		**(16)**	-
		1,986	57
Other comprehensive income for the period, net of tax		**22,683**	57
Total comprehensive income for the period attributable to owners of the company		**23,272**	761
Earnings per share			
Basic earnings per share	*23*	**0.430 cent**	0.993 cent
Diluted earnings per share	*23*	**0.429 cent**	0.992 cent

Dalata Hotel Group plc

Unaudited condensed consolidated statement of financial position

at 30 June 2015

	Note	**30 June 2015**	31 December 2014
Assets		**€'000**	€'000
Non-current assets			
Goodwill	*11*	**45,671**	7,066
Property, plant and equipment	*12*	**582,850**	52,294
Investment properties	*13*	**2,285**	1,248
Derivatives	*14*	**285**	-
Deferred tax assets	*20*	**435**	319
Trade and other receivables	*15*	**900**	5,249
Total non-current assets		**632,426**	66,176
Current assets			
Trade and other receivables	*15*	**17,420**	9,544
Inventories		**1,172**	593
Cash and cash equivalents	*18*	**20,263**	217,807
Total current assets		**38,855**	227,944
Total assets		**671,281**	294,120
Equity			
Share capital	*22*	**1,403**	1,220
Share premium	*22*	**343,540**	295,133
Capital contribution		**25,724**	25,724
Merger reserve		**(10,337)**	(10,337)
Share-based payment reserve		**543**	273
Hedging reserve		**113**	-
Revaluation reserve		**28,038**	7,341
Translation reserve		**1,913**	40
Retained earnings		**(46,092)**	(46,681)
Total equity		**344,845**	272,713
Liabilities			
Loans and borrowings	*19*	**263,870**	-
Deferred tax liabilities	*20*	**4,602**	960
Total non-current liabilities		**268,472**	960
Loans and borrowings	*19*	**15,970**	-
Trade and other payables	*16*	**40,262**	20,345
Current tax liabilities		**1,732**	102
Total current liabilities		**57,964**	20,447
Total liabilities		**326,436**	21,407
Total equity and liabilities		**671,281**	294,120

Dalata Hotel Group plc

Unaudited condensed consolidated statement of changes in equity

for the six months ended 30 June 2015

	Share capital €'000	Share premium €'000	Capital contribution €'000	Merger reserve €'000	Share-based payment reserve €'000	Reverse acquisition reserve €'000	Hedging reserve €'000	Translation reserve €'000	Revaluation reserve €'000	Retained earnings €'000	Total €'000
						Attributable to owners of the company					
At 1 January 2015	1,220	295,133	25,724	(10,337)	273	-	-	40	7,341	(46,681)	**272,713**
Comprehensive income:											
Profit for the period	-	-	-	-	-	-	-	-	-	589	**589**
Other comprehensive income	-	-	-	-	-	-	113	1,873	20,697	-	**22,683**
Total comprehensive income for the period	-	-	-	-	-	-	**113**	**1,873**	**20,697**	**589**	**23,272**
Transactions with owners of the company:											
Issue of shares, net of issue costs	183	48,407	-	-	-	-	-	-	-	-	48,590
Equity-settled share-based payments	-	-	-	-	270	-	-	-	-	-	270
Total transactions with owners of the company	183	48,407	-	-	270	-	-	-	-	-	48,860
At 30 June 2015	**1,403**	**343,540**	**25,724**	**(10,337)**	**543**	**-**	**113**	**1,913**	**28,038**	**(46,092)**	**344,845**

Dalata Hotel Group plc

Unaudited condensed consolidated statement of changes in equity

for the six months ended 30 June 2014

	Attributable to owners of the company										
	Share capital €'000	**Share premium €'000**	**Capital contribution €'000**	**Merger reserve €'000**	**Share-based payment reserve €'000**	**Reverse acquisition reserve €'000**	**Hedging reserve €'000**	**Translation reserve €'000**	**Revaluation reserve €'000**	**Retained earnings €'000**	**Total €'000**
At 1 January 2014	-	-	-	-	-	4	-	(48)	-	(50,204)	**(50,248)**
Comprehensive income:											
Profit for the period	-	-	-	-	-	-	-	-	-	704	**704**
Other comprehensive income	-	-	-	-	-	-	-	57		-	**57**
Total comprehensive income for the period	-	-	-	-	-	-		57	-	704	**761**
Transactions with owners of the company:											
Issue of shares by Dalata Hotel Group plc prior to the reorganisation	40	-	-	-	-	-	-	-	-	-	**40**
Reorganisation – issue of shares by Dalata Hotel Group plc in share exchange for DHGL Limited and release of shareholder loan note obligations	-	10,337	25,724	(10,337)	-	(4)	-	-	-	-	**25,720**
Issue of shares in public listing, net of issue costs	1,060	254,928	-	-	-	-	-	-	-	-	**255,988**
Issue of shares on conversion of shareholder loan notes	120	29,880	-	-	-	-	-	-	-	-	**30,000**
Equity-settled share-based payments	-	-	-	-	99	-	-	-	-	-	**99**
Total transactions with owners of the company	1,220	295,145	25,724	(10,337)	99	(4)	-	-	-	-	**311,847**
At 30 June 2014	1,220	295,145	25,724	(10,337)	99	-	-	9	-	(49,500)	**262,360**

Dalata Hotel Group plc

Unaudited condensed consolidated statement of cash flows

for the six months ended 30 June 2015

	6 months ended 30 June 2015 €'000	6 months ended 30 June 2014 €'000
Cash flows from operating activities		
Profit for the period	**589**	704
Adjustments for:		
Amortisation of intangible assets	**-**	51
Depreciation of property, plant and equipment	**4,004**	315
Impairment of goodwill	**199**	-
Impairment of property, plant and equipment	**1,161**	-
Increase in fair value of investment property	**(452)**	-
Share based payment expense	**270**	-
Finance costs	**4,338**	1,191
Finance income	**(1,857)**	(85)
Tax charge	**2,063**	239
	10,315	2,415
Increase in trade and other payables	**10,078**	3,766
Increase in trade and other receivables	**(6,287)**	(4,029)
Decrease in inventories	**130**	45
Increase in derivatives	**(157)**	-
Tax paid	**(500)**	(220)
Net cash from operating activities	**13,579**	1,977
Cash flows from investment activities		
Acquisitions of undertakings through business combinations, net of cash acquired	**(479,087)**	-
Purchase of property, plant and equipment	**(14,402)**	(19,215)
Interest received	**6**	85
Net cash used in investing activities	**(493,483)**	(19,130)
Cash flows from financing activities		
Borrowing costs	**(8,142)**	(152)
Receipt of bank loans	**283,090**	-
Repayment of bank loans	**(9,490)**	(9,000)
Proceeds from issue of ordinary share capital, net of expenses	**15,040**	255,988
Net cash from financing activities	**280,498**	246,836
Net (decrease)/increase in cash and cash equivalents	**(199,406)**	229,683
Cash and cash equivalents at beginning of period	**217,807**	4,940
Effect of movements in exchange rates	**1,862**	-
Cash and cash equivalents at end of period	**20,263**	234,623

Notes to the condensed consolidated interim financial statements
for the six months ended 30 June 2015

1 General information and basis of preparation

Dalata Hotel Group plc ('the Company') is a company incorporated in the Republic of Ireland. The unaudited condensed consolidated interim financial statements of the Company for the six months ended 30 June 2015 (the 'Interim Financial Statements') include the Company and its subsidiaries (together referred to as the 'Group'). The Interim Financial Statements were authorised for issue by the Directors on 8 September 2015.

These unaudited Interim Financial Statements have been prepared by Dalata Hotel Group plc in accordance with the recognition and measurement requirements of IAS 34, "*Interim Financial Reporting*" (IAS 34) as adopted by the European Union. They do not include all of the information required for full annual statutory financial statements and should be read in conjunction with the consolidated financial statements of Dalata Hotel Group plc as at and for the year ended 31 December 2014.

These interim financial statements are presented in Euro, rounded to the nearest thousand, which is the functional currency of the parent company and also the presentation currency for the Group's financial reporting.

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results could differ materially from these estimates. In preparing these interim financial statements, the critical judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2014.

The interim financial statements do not constitute statutory financial statements. The statutory financial statements for the year ended 31 December 2014, together with the independent auditor's report thereon, have been filed with the Companies Registration Office and are available on the Company's website. The auditor's report on those financial statements was not qualified and did not contain an emphasis of matter paragraph.

2 Significant accounting policies

The accounting policies applied in these interim financial statements are consistent with those applied in the consolidated financial statements as at and for the year ended 31 December 2014, except for the application for the first time of accounting policies for derivative financial instruments, cash flow hedge accounting and net investment hedges as described below.

None of the other new IFRSs or interpretations that are effective for the financial year ending 31 December 2015, as outlined on pages 78 and 79 of the 2014 statutory financial statements of Dalata Hotel Group plc, had an impact on the Group's reported profit or net assets.

Derivative financial instruments

The Group's borrowings expose it to the financial risks of changes in interest rates. The Group uses derivative financial instruments such as interest rate swap agreements and interest rate cap agreements to hedge these exposures. The Group does not use derivatives for trading or speculative purposes.

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The full fair value of a hedging derivative is classified as a non-current asset or non-current liability if the remaining maturity of the hedged item is more than twelve months and as a current asset or current liability if the remaining maturity of the hedged item is less than twelve months.

The fair value of derivative instruments is determined by using valuation techniques. The Group uses its judgement to select the most appropriate valuation methods and makes assumptions that are mainly based on observable market conditions (Level 2 fair values) existing at the reporting date.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Cash flow hedge accounting

For those derivatives designated as cash flow hedges and for which hedge accounting is desired, the hedging relationship is documented at its inception. This documentation identifies the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and its risk management objectives and strategy for undertaking the hedging transaction. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, the effective part of any gain or loss on the derivative financial instrument is recognised in other comprehensive income and accumulated in equity in the hedging reserve. Any ineffective portion is recognised immediately in profit or loss as finance income/costs.

The amount accumulated in equity is retained in other comprehensive income and reclassified to profit or loss in the same period or periods during which the hedged item affects profit or loss.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting or the designation is revoked. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. However, if a hedged transaction is no longer anticipated to occur, the net cumulative gain or loss accumulated in equity is reclassified to profit or loss.

Net investment hedges

Where relevant, the Group uses a net investment hedge, whereby the foreign currency exposure arising from a net investment in a foreign operation is hedged using borrowings held by the parent company that are denominated in the functional currency of the foreign operation.

Foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised directly in other comprehensive income in the foreign currency translation reserve, to the extent that the hedge is effective. To the extent that the hedge is ineffective, such differences are recognised in profit or loss. When the hedged part of a net investment is disposed of, the associated cumulative amount in equity is reclassified to profit or loss.

3 Seasonality

Hotel revenue and operating profit are driven by seasonal factors as July and August are typically the busiest months in the operating cycle. The table below analyses revenue, operating profit and profit before tax for the first half and second half of the year ended 31 December 2014.

	6 months ended 30 June 2014 €'000	**6 months ended 31 December 2014 €'000**	**Total year ended 31 December 2014 €'000**
Revenue	34,950	44,123	79,073
Operating profit	2,049	2,929	4,978
Profit before tax	943	3,253	4,196

Acquisition-related costs of €2.821 million were incurred in the 6 months ended 31 December 2014, and reflected in operating profit and profit before tax above.

Revenue, operating profit and profit before tax for the 6 months ended 31 December 2014 was also impacted by acquisitions during that period. Maldron Derry and Pearse Street which were acquired on 29 August and 1 October 2014 contributed revenue of €1.5 million, operating profit of €0.1 million and profit before tax of €0.1 million in the 6 months ended 31 December 2014.

4 Operating segments

The segments are reported in accordance with IFRS 8 *Operating Segments*. The segment information is reported in the same way as it is reviewed and analysed internally by the chief operating decision makers, primarily the CEO and Board of Directors.

The group operates in two segments – "Leased & Owned" hotels and "Managed" hotels:

Leased & Owned hotels:
The Group drives revenue for leased and owned hotels primarily from room sales and food and beverage sales in restaurants, bars and banqueting. The main costs arising relate to staff costs, other operating costs and rent paid to lessors.

Managed hotels:
Under management agreements, the group provides management services for third party hotel proprietors.

Revenue	**30 June 2015 €'000**	30 June 2014 €'000
Leased & Owned	**95,760**	32,034
Managed	**1,951**	2,916
Total revenue	**97,711**	34,950

The line item ‘Leased & Owned’ represents the operating revenue (Room revenue, Food and Beverage Revenue and other hotel revenue) from leased and owned hotels.

The line item ‘Managed’ represents the fees and other income earned from services provided in relation to managed hotels.

	30 June 2015 €’000	30 June 2014 €’000
Segmental results – EBITDA		
Leased & Owned - EBITDA	**24,657**	1,114
Managed – EBITDA	**1,951**	2,916
EBITDA for reportable segments	**26,608**	4,030
Reconciliation to results for the period		
Segments EBITDA	**26,608**	4,030
Central costs, including acquisition costs of €13.5 million (2014: €nil)	**(16,563)**	(1,615)
Group EBITDA	**10,045**	2,415
Depreciation of property, plant and equipment	**(4,004)**	(315)
Amortisation of intangible assets	**-**	(51)
Impairment of goodwill	**(199)**	-
Impairment of property, plant and equipment	**(1,161)**	-
Fair value gain on investment properties	**452**	-
Net finance costs	**(2,481)**	(1,106)
Profit before tax	**2,652**	943
Tax	**(2,063)**	(239)
Profit for the period	**589**	704

EBITDA represents earnings before interest, tax, depreciation, impairment, amortisation and fair value gains on investment properties.

The line item ‘Leased & Owned - EBITDA’ represents the net operational contribution of leased and owned hotels less related costs.

The line item ‘Managed - EBITDA’ represents the fees and other income earned from services provided in relation to managed hotels. All of this activity is managed corporately and specific individual costs are not allocated to this segment.

The line item ‘Central costs’ includes costs of the group’s central functions including operations support, technology, sales and marketing, human resources, finance, corporate services and business development.

It also includes acquisition and integration costs of acquiring new hotels.

5 Administration expenses

	30 June 2015 €'000	30 June 2014 €'000
Other administration expenses	**26,026**	10,961
Acquisition related costs	**13,539**	-
Hotel rental expenses	**9,419**	7,983
Depreciation	**4,004**	315
Impairment of property plant and equipment	**1,161**	
Impairment of goodwill	**199**	-
Amortisation of intangible assets	**-**	51
Foreign exchange	**(112)**	-
	54,236	19,310

Acquisition-related costs

Acquisition-related costs include professional fees, stamp duty costs, redundancy and other costs associated with the acquisitions outlined in Note 10. Details of the acquisition-related costs charged to profit or loss are outlined below.

	30 June 2015 €'000
Stamp duty incurred on acquisition of Moran Bewley Hotel Group	9,282
Professional fees incurred on acquisition of Moran Bewley Hotel Group	1,379
Integration-related costs incurred on Moran Bewley Hotel Group	785
Stamp duty incurred on other hotel acquisitions	1,823
Professional fees incurred on other hotel acquisitions	270
	13,539

Integration-related costs includes primarily severance costs and certain other non-recurring costs directly related to the Moran Bewley Hotel Group acquisition.

6 Finance income

	30 June 2015 €'000	30 June 2014 €'000

Interest income on bank deposits	**6**	85
Exchange gain on cash and cash equivalents	**1,851**	-
	1,857	85

7 Finance costs

	30 June 2015 €'000	30 June 2014 €'000
Interest expense on bank loans and borrowings	**3,896**	152
Interest expense on unsecured shareholder loan notes	**-**	1,039
Other finance costs	**442**	-
	4,338	1,191

8 Long term incentive plan

Equity-settled share-based payment arrangements

During the six months ended 30 June 2015, the Remuneration Committee of the Board of Directors approved the conditional grant of 607,518 ordinary shares pursuant to the terms and conditions of the Group's Long Term Incentive Plan. The award was for eligible service employees across the Group and vests over a three year service period from the grant date (27 March 2015). The number of awards which will ultimately vest will depend on the Group achieving targets relating to Total Shareholder Return ("TSR") as measured against a comparator peer group of companies over a 3 year performance period.

In relation to TSR performance, 25% of an award will vest for TSR performance equal to the median TSR return of the comparator peer group of companies over the performance period and 100% of an award shall vest for TSR performance equal to the 75th percentile or greater TSR return of the comparator group. Awards shall vest on a pro-rated basis for TSR performance falling between these thresholds.

The total expected cost of this award was estimated at €1.1 million over three year service period of which €0.1 million has been charged against profit for the period to 30 June 2015. The remaining €1.0 million will be charged to profit or loss in equal instalments over the remainder of the three year vesting period.

The total expected cost in relation to the award made in 2014 was estimated at €1.04 million of which €0.2 million has been charged against profit for the period to 30 June 2015 and €0.3 million was charged against profit for the year ended 31 December 2014. The remaining €0.6 million will be charged to profit or loss in equal instalments over the remainder of the two year vesting period.

	Number of share awards granted

Outstanding share awards granted at beginning of period	728,654
Share awards granted during the period	607,518
Outstanding share awards granted at end of period	**1,336,172**

Measurement of fair values

The fair value of the conditional share awards granted in the period ended 30 June 2015 was measured using Monte Carlo simulation. Service conditions attached to the awards were not taken into account in measuring fair value. The valuation and key assumptions used in the measurement of the fair values at grant date were as follows:

Fair value at grant date	€1.92
Share price at grant date	€3.55
Exercise price	€0.01
Expected volatility	26.03%
Performance period	3 years

Expected volatility has been based on the historical volatility of the Company's share price.

9 Tax charge

	30 June 2015 €'000	30 June 2014 €'000
Current tax		
Irish corporation tax	**1,330**	253
UK corporation tax	**802**	-
(Over) provision in respect of prior periods	**-**	(45)
Deferred tax (credit)/charge	**(69)**	31
	2,063	239

Deferred tax arises from temporary differences between the carrying values and tax written down values of property, plant and equipment and tax losses.

The increase in effective tax rate is due to the impact of certain significant acquisition-related costs as outlined in Note 5 which are not tax-deductible.

10 Business combinations

Acquisition of Moran Bewley Hotel Group

On 3 February 2015, the Group completed the acquisition of nine hotels from the Moran Bewley Hotel Group for a consideration of €452.3 million. The transaction significantly increased the scale and geographical reach of the Group. The nine hotels acquired were as follows:

- Bewley's Hotel Ballsbridge, Dublin
- Bewley's Hotel Dublin Airport
- Bewley's Hotel, Leopardstown, Dublin
- Bewley's Hotel, Newlands Cross, Dublin

- Silver Springs Moran Hotel, Cork
- Bewley's Hotel Manchester Airport
- Bewley's Hotel Leeds
- Crown Moran Hotel, London
- Chiswick Moran Hotel London

10 Business combinations (continued)

Acquisition of Moran Bewley Hotel Group (continued)

	3 February 2015 Fair Value €'m
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Non-current assets	
Hotel property (land & buildings)	419.1
Fixtures, fittings & equipment	5.7
Motor vehicles	0.1
Deferred tax assets	4.4
Current assets	
Inventories	0.4
Trade and other receivables	0.5
Cash	3.2
Current liabilities	
Trade and other payables	(7.6)
Non-current liabilities	
Deferred tax liabilities	(4.6)
Total identifiable assets	**421.2**
Goodwill	31.1
Total consideration	**452.3**
Satisfied by:	
Cash	418.7
Issue of 12,200,000 ordinary shares at €2.75 per share	33.6
	452.3

The acquisition method of accounting has been used to consolidate the businesses acquired in the Group's financial statements. Given that the valuation of the fair value of assets and liabilities recently acquired is still in progress, primarily in respect of deferred tax assets and goodwill, the above values are determined provisionally.

Acquisition of Moran Bewley Hotel Group (continued)

The goodwill is attributable to factors including expected profitability and revenue growth, increased market share, increased geographical presence, the opportunity to develop the Group's brands and the synergies expected to arise within the Group after acquisition.

Acquisition-related costs of €11.4 million are outlined in Note 5. These costs were charged to administration expenses in profit or loss.

From the acquisition date to 30 June 2015, this acquisition contributed revenue of €42.6 million and profit before tax of €11.6 million to the consolidated results of the Group. Had the acquisition occurred at 1 January 2015 it would have contributed revenue of €49.2 million and profit before tax of €12.4 million (excluding acquisition-related costs – see Note 5) to the consolidated results of the Group.

Acquisition of Clayton Hotel, Galway
On 21 January 2015, the Group acquired full ownership of the property and business of Clayton Hotel, Galway for a total cash consideration of €16.6 million. The fair value of the identifiable assets and liabilities acquired was: hotel property (land and buildings) €16 million, fixtures, fittings and equipment €0.4 million and net working capital assets of €0.1 million. Goodwill of €0.1 million arose on this acquisition. From the acquisition date to 30 June 2015, this acquisition contributed revenue of €3.1 million and loss before tax of €0.04 million to the consolidated results of the Group. Had the acquisition occurred at 1 January 2015 it would have contributed revenue of €3.3 million and loss before tax of €0.25 million to the consolidated results of the Group.

Acquisition of Whites Hotel, Wexford
On 13 February 2015, the Group acquired full ownership of the property and business of Whites Hotel, Wexford for a total cash consideration of €15 million. The fair value of the identifiable assets and liabilities acquired was: hotel property (land and buildings) €13.3 million, fixtures, fittings and equipment €0.4 million and net working capital liabilities of €0.2 million. Goodwill of €1.5 million arose on this acquisition and is attributable to profitability and revenue growth, increased market share, and the synergies expected to arise within the Group after acquisition. From the acquisition date to 30 June 2015, this acquisition contributed revenue of €3.3 million and loss before tax of €0.1 million to the consolidated results of the Group. Had the acquisition occurred at 1 January 2015 it would have contributed revenue of €4.1 million and loss before tax of €1.5 million to the consolidated results of the Group.

Acquisition of Pillo Hotel, Galway
On 13 February 2015, the Group acquired full ownership of the property and business of Pillo Hotel, Galway for a total cash consideration of €10.5 million. The fair value of the identifiable assets and liabilities acquired was: hotel property (land and buildings) €8 million, fixtures, fittings and equipment €0.2 million, investment properties €0.6 million and net working capital liabilities of €0.1 million. Goodwill of €1.8 million arose on this acquisition and is attributable to profitability and revenue growth, increased market share, and the synergies expected to arise within the Group after acquisition.

Acquisition of Pillo Hotel, Galway *(continued)*
From the acquisition date to 30 June 2015, this acquisition contributed revenue of €1.5 million and profit before tax of €0.06 million to the consolidated results of the Group. Had the acquisition occurred at 1 January 2015 it would have contributed revenue of €1.9 million and loss before tax of €0.05 million to the consolidated results of the Group.

Acquisition of Holiday Inn, Belfast
On 24 March 2015, the Group acquired full ownership of the property and business of the Holiday Inn, Belfast for a total cash consideration of €25.7 million (£18.5 million). The fair value of the identifiable assets and liabilities acquired was: hotel property (land and buildings) €20.7 million (£15.2 million), fixtures, fittings and equipment €0.4 million (£0.3 million) and net working capital assets of €0.3 million (£0.2 million). Goodwill of €4.3 million (£3 million) arose on this acquisition and is attributable to profitability and revenue growth, increased market share, the opportunity to develop a brand and the synergies expected to arise within the Group after acquisition. From the acquisition date to 30 June 2015, this acquisition contributed revenue of €2.4 million (£1.7 million) and profit before tax of €0.7 million (£0.5 million) to the consolidated results of the Group.

11 Goodwill

	30 June 2015 €'000	31 December 2014 €'000
Cost		
At beginning of period	**42,258**	42,059
Additions (see note 10)	**38,804**	199
	81,062	42,258
Impairment losses		
At beginning of period	**(35,192)**	(35,192)
During the period	**(199)**	-
	(35,391)	(35,192)
Carrying amount		
At end of period	**45,671**	7,066
At beginning of period	**7,066**	6,867

12 Property, plant and equipment

	Land and buildings €'000	Fixtures, fittings and equipment €'000	Motor Vehicles €'000	Total €'000
Cost or valuation				
At 1 January 2015				
Valuation	46,709	-	-	46,709
Cost	-	9,171	-	9,171
	46,709	9,171	-	55,880
Acquisitions through business combinations	477,081	7,115	110	484,306
Other additions	10,291	4,415	-	14,706
Revaluation gain	21,572	-	-	21,572
Impairment	(1,161)	-	-	(1,161)
Translation adjustment	12,447	196	2	12,645
	566,939	20,897	112	587,948
At 30 June 2015				
Valuation	566,939	-	-	566,939
Cost	-	20,897	112	21,009

	566,939	**20,897**	**112**	**587,948**
Accumulated depreciation				
At 1 January 2015	-	3,586	-	3,586
Charge for the period	2,507	1,479	18	4,004
Elimination of depreciation on revaluation	(2,507)	-	-	(2,507)
Translation adjustment	-	15	-	15
At 30 June 2015	**-**	**5,080**	**18**	**5,098**
Net Book Value				
At 30 June 2015	**566,939**	**15,817**	**94**	**582,850**
At 31 December 2014	46,709	5,585	-	52,294

Included in land and buildings at 30 June 2015 is land at a carrying value of €102.6 million which is not depreciated. The estimated residual value of buildings is €133.2 million.

Acquisitions through business combinations in the period ended 30 June 2015 includes the following:

- Moran Bewley Hotel Group of nine hotels (see Note 10)
- Whites Hotel Wexford
- Clayton Hotel Galway
- Pillo Hotel Galway
- Holiday Inn Belfast

Other additions to land and buildings in the period ended 30 June 2015, include the following properties where the Group was already operating a hotel business:

- Maldron Hotel, Wexford
- Ancillary buildings Maldron Hotel, Pearse Street, Dublin

The carrying value of land and buildings, revalued at 30 June 2015, is €566.9 million. The unrealised revaluation gains arising of €24.1 million have been reflected through other comprehensive income and in the revaluation reserve in equity, and an impairment charge of €1.2 million (together with a related goodwill impairment charge of €0.2 million - Note 11) have been reflected in administration expenses through profit or loss.

The value of the Group's property at 30 June 2015 reflects open market valuations carried out in June 2015 by independent external valuers having appropriate recognised professional qualifications and recent experience in the location and value of the property being valued. The external valuations performed were in accordance with the Valuation Standards of the Royal Institution of Chartered Surveyors.

Measurement of fair value

The fair value measurement of the Group's own-use property has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

The principal valuation technique used in the independent external valuations was discounted cash flows. This valuation model considers the present value of net cash flows to be generated from the property over a ten year period (with an assumed terminal value at the end of Year 10) taking into account expected EBITDA and capital expenditure. The expected net cash flows are discounted using risk adjusted discount rates. Among other factors, the discount rate estimation considers the quality of the property and its location.

12 Property, plant and equipment *(continued)*

The significant unobservable inputs are:
- Forecast EBITDA
- Risk adjusted discount rates of 8.75% - 11.5% (Years 1-10)
- Terminal (Year 10) capitalisation rates of 6.75% - 9%

The estimated fair value under this valuation model would increase or decrease if:
- EBITDA was higher or lower than expected
- The risk adjusted discount rate and terminal capitalisation rate was higher or lower

Valuations also had regard to relevant recent data on hotel sales activity metrics.

13 Investment properties

	30 June 2015 €'000	31 December 2014 €'000
Cost or valuation		
At beginning of period	**1,248**	-
Acquisitions through business combinations	**585**	1,248
Increase in fair value	**452**	-
	2,285	1,248

Investment properties comprise of:
- Two commercial properties which were acquired on 29 August 2014 as part of the Maldron Hotel Pearse Street acquisition. The investment properties are leased to third parties for lease terms of 25 and 30 years, with 16 and 12 years remaining.
- Commercial properties which were acquired on 13 February 2015 as part of the Pillo Hotel Galway acquisition. The investment properties are leased to third parties for lease terms of 20 years, with 17 years remaining and a break clause in three years.

Changes in fair values are recognised in other income in profit or loss.

The value of the Group's investment properties at 30 June 2015 reflect an open market valuation carried out in June 2015 by independent external valuers having appropriately recognised professional qualifications and recent experience in the location and category of property being valued. The valuations performed were in accordance with the Valuation Standards of the Royal Institution of Chartered Surveyors.

The fair value measurement of the Group's investment property has been categorised as Level 3 fair value based on the inputs to the valuation technique used.

The valuation technique used is consistent with that used for the Group's own-use property (see Note 12). The significant unobservable inputs in the measurement of fair value of investment property were:

- Expected EBITDA based on market rental growth
- Risk adjusted discount rate of 9% - 9.25% (Years 1-10)
- Terminal (Year 10) capitalisation rate 7% - 7.25%

The estimated fair value under this valuation model would increase or decrease if:

- EBITDA was higher or lower than expected
- The risk adjusted discount rate and terminal capitalisation rate was higher or lower

14 Derivatives

During the period, the Group entered into interest rate swaps and cap agreements with a syndicate of financial institutions in order to manage the interest rate risks arising from the Group's borrowings (see Note 19). Interest rate swaps are employed by the Group to partially convert the Group's borrowings from floating to fixed interest rates. Interest rate caps are employed to limit the exposure to upward movements in interest rates.

The terms of the derivatives are as follows:

- Interest rate swaps with a maturity date of 3 February 2020, covering approximately 76% of the Group's sterling denominated borrowings at 30 June 2015.
- Interest rate cap with a maturity date of 30 September 2019, covering approximately 77% of the Group's Euro denominated borrowings at 30 June 2015.

Fair value	**30 June 2015**	31 December 2014
Non-current	**€'000**	€'000
Interest rate swap asset	**157**	-
Interest rate cap asset	**128**	-
	285	-

Included in Other Comprehensive Income	**30 June 2015**	30 June 2014
Fair value gain/(loss) on derivative instruments	**€'000**	€'000
Fair value gain on interest rate swap assets	**157**	-
Fair value loss on interest rate cap asset	**(28)**	-
	129	-

15 Trade and other receivables

	30 June 2015	31 December 2014
Non-current	**€'000**	€'000
Other receivables	**900**	900
Deposits paid on acquisitions	**-**	4,116
Prepayments	**-**	233

	900	5,249
Current		
Trade receivables	**8,355**	3,410
Prepayments	**6,582**	4,067
Accrued income	**2,483**	2,067
	17,420	9,544

16 Trade and other payables

	30 June 2015 €'000	31 December 2014 €'000
Trade payables	**14,652**	6,155
Accruals	**16,977**	12,438
Deferred income	**4,599**	729
Value added tax	**2,743**	349
Payroll taxes	**1,291**	674
	40,262	20,345

17 Commitments

Operating leases

Non-cancellable operating lease rentals are payable by the Group as follows:

	30 June 2015 €'000	31 December 2014 €'000
Less than one year	**15,109**	14,191
Between one and five years	**49,996**	50,434
After five years	**263,255**	169,451
	328,360	234,076

The company has undertaken to guarantee the obligations of two of its subsidiaries, Dalata Cardiff Limited in relation to the lease of the Maldron Hotel Cardiff for a period of 35 years of which there are 25 years remaining, and Hanford Commercial Limited in relation to the lease of the Maldron Hotel Portlaoise for a period of 30 years of which there are 21 years remaining.

Capital expenditure commitments

The group has the following commitments for future capital expenditure under its contractual arrangements.

	30 June	31 December

	2015	2014
	€'000	€'000
Contracted but not provided	**4,317**	4,191

Capital commitments at 30 June 2015 primarily includes the contractual commitment to complete the extension on Clayton Hotel Chiswick, London.

18 Financial risk management

The Group is exposed to various financial risks arising in the normal course of business. Its financial risk exposures are predominantly related to the creditworthiness of counterparties and risks relating to changes in interest rates and foreign currency. The Group uses financial instruments to manage exposures arising from the interest rate risks. The Group uses a net investment hedge with sterling denominated borrowings to hedge the translation risk from investments in certain UK operations.

Fair value hierarchy

The Group measures the fair value of financial instruments based on the degree to which inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements. Financial instruments are categorised by the type of valuation method used. The valuation methods are as follows:

- Level 1: Quoted prices (unadjusted in active markets for identical assets or liabilities).
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the financial instrument, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the financial instrument that are not observable market data (un-observable inputs).

Discounted cash-flow analyses have been used to determine the fair value of the interest rate swaps and interest rate cap, taking into account current market inputs and rates (Level 2).

The Group's policy is to recognise any transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer occurred. During the period ended 30 June 2015, there were no reclassifications of financial instruments and no transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments.

Credit risk

Exposure to credit risk

Credit risk arises from granting credit to customers and from investing cash and cash equivalents with banks and financial institutions.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. There is no concentration of credit risk or dependence on individual customers. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

Cash and cash equivalents

The Group is exposed to credit risk from the counterparties with whom it places its cash and cash equivalents. It is satisfied that the credit risk associated with these deposits is not significant because of the credit ratings of the counterparties.

18 Financial risk management *(continued)*

Cash and cash equivalents comprise:

	30 June 2015 €'000	31 December 2014 €'000
Cash at bank and in hand	**20,263**	39,259
Money-market funds	**-**	178,548
	20,263	217,807

Liquidity risk

The Group's approach to managing liquidity is to ensure as far as possible that it will always have sufficient liquidity to:

- fund its ongoing operations;
- allow it to invest in hotels that may create value for shareholders; and
- maintain sufficient financial resources to mitigate against risks and unforeseen events.

Market risk

Market risk is the risk that changes in market prices and indices, such as interest rates and foreign exchange rates will affect the Group's income or the value of its holdings of financial instruments.

Interest rate risk

The Group's exposure relates primarily to floating interest rates on the Group's debt obligations. The Group uses interest rate derivatives to mitigate its exposure to interest rate fluctuations.

Foreign currency risk

The Group is exposed to transactional foreign currency risk on trading activities conducted by subsidiaries in currencies other than the functional currency. Group policy is to manage foreign currency exposures commercially and through netting of exposures where possible**.** The Group's gain or loss on retranslation of the net assets of foreign currency subsidiaries is taken directly to the translation reserve.

The Group financed its new operations in the UK (the four UK hotels formerly in the Moran Bewley Hotel Group) by obtaining funding at Group level through external borrowings denominated in sterling. These borrowings are designated as net investment hedges. This enables gains and losses arising on retranslation of those foreign currency borrowings to be recognised in Other Comprehensive Income, providing a partial offset in reserves against the gains and losses arising on translation of the net assets of the associated operations.

Fair values

The following tables show the carrying amount of Group financial assets and liabilities including their values in the fair value hierarchy. The tables do not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Financial assets measured at fair value	Loans and receivables	Financial liabilities measured at amortised cost	Total carrying amount	Fair value Level 1	Level 2	Level 3	Total
	30 June 2015 €'000	**30 June 2015 €'000**	**30 June 2015 €'000**	**30 June 2015 €'000**	**30 June 2015 €'000**	**30 June 2015 €'000**	**30 June 2015 €'000**	**30 June 2015 €'000**
Financial Assets								
Derivatives	285	-	-	285	-	285	-	285
Trade and other receivables, excluding prepayments (Note 15)	-	11,738	-	11,738				
Cash and cash equivalents	-	20,263	-	20,263				
	285	32,001	-	32,286				
	30 June 2015 €'000	30 June 2015 €'000	30 June 2015 €'000	30 June 2015 €'000	30 June 2015 €'000	30 June 2015 €'000	30 June 2015 €'000	30 June 2015 €'000
Financial Liabilities								
Secured bank loans	-	-	(279,840)	(279,840)				
Trade payables and accruals (Note 16)	-	-	(31,629)	(31,629)				
	-	-	(311,469)	(311,469)				

Fair values

The following tables show the carrying amount of Group financial assets and liabilities including their values in the fair value hierarchy. The tables do not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Financial assets measured at fair value	**Loans and receivables**	**Financial liabilities measured at amortised cost**	**Total carrying amount**	**Fair value Level 1**	**Fair value Level 2**	**Fair value Level 3**	**Fair value Total**
	31 Dec 2014 €'000	**31 Dec 2014 €'000**	**31 Dec 2014 €'000**	**31 Dec 2014 €'000**	**31 Dec 2014 €'000**	**31 Dec 2014 €'000**	**31 Dec 2014 €'000**	**31 Dec 2014 €'000**
Financial Assets								
Trade and other receivables, excluding prepayments and deposits paid on acquisitions (Note 15)	-	6,377	-	6,377				
Cash and cash equivalents	-	39,259	-	39,259				
Money-market funds	178,548	-	-	178,548	178,548	-	-	178,548
	178,548	45,636	-	224,184				

	31 Dec 2014 €'000	31 Dec 2014 €'000	31 Dec 2014 €'000	31 Dec 2014 €'000	31 Dec 2014 €'000	31 Dec 2014 €'000	31 Dec 2014 €'000	31 Dec 2014 €'000
Financial Liabilities								
Secured bank loans	-	-	-	-				
Trade payables and accruals (Note 16)	-	-	(18,593)	(18,593)				
	-	-	(18,593)	(18,593)				

19 Interest bearing loans and borrowings

	30 June 2015 €'000	31 December 2014 €'000
Repayable within one year		
Bank borrowings	**16,800**	-
Less: Deferred finance costs	**(830)**	-
	15,970	-
Repayable after one year		
Bank borrowings	**266,844**	-
Less: Deferred finance costs	**(2,974)**	-
	263,870	-
Total interest-bearing loans and borrowings	**279,840**	-

On 17 December 2014, the Group entered into a loan facility of €318 million with a syndicate of financial institutions. On 3 February 2015, the company drew down €282 million (comprising of €106 million and £132 million) through five year term loan facilities with a maturity of 3 February 2020. The Group has an undrawn revolving facility of €20 million available.

The loans bear interest at variable rates based on 3 month EURIBOR/LIBOR plus applicable margins. The Group has entered into certain derivative financial instruments to hedge interest rate exposure on a portion of these loans (see Note 14). The loans are secured on the Group's hotel assets.

20 Deferred tax

	30 June 2015 €'000	31 December 2014 €'000
Deferred tax assets	**435**	319
Deferred tax liabilities	**(4,602)**	(960)
Net liability	**(4,167)**	(641)

21 Related party transactions

Under IAS 24, *Related Party Disclosures*, the company has a related party relationship with its fellow group undertakings, shareholders and directors of the company. All transactions with subsidiaries eliminate on consolidation and are not disclosed.

Other than the transactions with shareholders disclosed in Note 22, there were no changes in related party transactions in the six months ended 30 June 2015 that materially affected the financial position or the performance of the Group during that period.

22 Share capital and premium

At 30 June 2015

Authorised Share Capital	**Number**	**€'000**
Ordinary shares of €0.01 each	10,000,000,000	100,000
Allotted, called-up and fully paid shares	**Number**	**€000**
Ordinary shares of €0.01 each	140,300,000	1,403
Share premium		343,540

At 31 December 2014

Authorised Share Capital	**Number**	**€'000**
Ordinary shares of €0.01 each	10,000,000,000	100,000
Allotted, called-up and fully paid shares	**Number**	**€,000**
Ordinary Shares of €0.01 each	122,000,000	1,220
Share premium		295,133

On 3 February 2015, the Company issued 18.3 million ordinary shares at €2.75 each which raised €48.6 million after costs. 12.2 million of these shares with a value of €33.6 million were issued in a Vendor Placing, as consideration for the acquisition of the nine hotels within the Moran Bewley Hotel Group (see Note 10).

23 Earnings per share

Basic earnings per share (EPS) is computed by dividing the profit for the period available to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is computed by dividing the profit for the period by the weighted average number of ordinary shares outstanding and, when dilutive, adjusted for the effect of all potentially dilutive shares. The following table sets out the computation for basic and diluted earnings/(loss) per share for the periods ended 30 June 2015 and 30 June 2014:

	30 June 2015	30 June 2014
Profit attributable to shareholders of the parent company (€'000) – basic and diluted	**589**	704
Earnings per share – Basic	**0.430 cent**	0.993 cent
Earnings per share – Diluted	**0.429 cent**	0.992 cent
Weighted average shares outstanding – Basic	**136,862,431**	70,897,507
Weighted average shares outstanding – Diluted	**137,393,531**	70,970,783

The difference between the basic and diluted weighted average shares outstanding for the period ended 30 June 2015 is due to the dilutive impact of the conditional share awards granted in March 2014 and 2015 (see Note 8). The weighted average number of shares outstanding for 2015 includes the effect of issue of 18,300,000 €0.01 ordinary shares of Dalata Hotel Group plc issued on 3 February 2015.

24 Events after the reporting date

There are no events subsequent to the period end that require adjustment to the interim financial statements or inclusion of a note thereto.

25 Approval of financial statements

The Board of Directors approved the interim condensed consolidated financial statements for the six months ended 30 June 2015 on 8 September 2015.

Independent Review Report to Dalata Hotel Group plc

Introduction

We have been engaged by the Company to review the condensed set of consolidated financial statements in the half-yearly financial report for the six months ended 30 June 2015 which comprises the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cashflows, and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of consolidated financial statements.

This report is made solely to the Company in accordance with the terms of our engagement and guidance contained in the Financial Reporting Council's International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The directors are responsible for ensuring that the condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of consolidated financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with the Financial Reporting Council's International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of consolidated financial statements in the half-yearly report for the six months ended 30 June 2015 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

KPMG
Chartered Accountants
1 Stokes Place
St. Stephen's Green
Dublin 2

8 September 2015